

Message Text

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PAGE 01 ROME 02612 01 OF 02 032251 Z

67

ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

SAL-01 TRSY-11 RSR-01 PA-03 PRS-01 USIA-12 /174 W

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R 031830 Z APR 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8111

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

UNCLAS SECTION 1 OF 2 ROME 02612

E. O. 11652: N/A

TAGS: EFIN, IT

SUBJ: STATUS OF ITALIAN DOMESTIC ECONOMY ON EVE OF ANDREOTTI
VISIT TO WASHINGTON

REF.: (A) ROME A-776 OF DECEMBER 21, 1972; (B) ROME A-77
OF FEBRUARY 6, 1973

1. / SUMMARY:/ GOI ECONOMIC REPORT FOR 1972 (ALSO CONTAINING
REVISED 1971 DATA) RELEASED ON APRIL 2 SHOWS REAL GNP
INCREASE OF 3.2 0/0, REFLECTING MODEST TURNAROUND FROM 1971
WHICH HAD BEEN POOREST YEAR FOR ITALIAN ECONOMY IN POSTWAR.
PERIOD. / END SUMMARY./

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PAGE 02 ROME 02612 01 OF 02 032251 Z

2. /INTRODUCTION/ - IN 1972 ITALY'S GNP ROSE TO 68,976 BILLION LIRE (63,120 BILLION IN 1971) REPRESENTING GROWTH RATE IN MONETARY TERMS OF 9.3 0/0 AND 3.2 0/0 IN REAL TERMS. COMPARABLE GROWTH RATES FOR 1971 WERE 8.3 0/0 AND 1.6 0/0 RESPECTIVELY, AS REFLECTED IN REVISED 1971 GNP DATA CONTAINED IN 1972 ECONOMIC REPORT. DESPITE MODEST IMPROVEMENT OVER 1971 REAL GROWTH RATE, RELATIVELY SLOW GROWTH, PLUS GNP DEFLATOR PRICE RISE OF 6.1 0/0 LAST YEAR (7.1 0/0 IN 1971), CONTINUES SHOW THAT ECONOMY NOT YET FREE FROM PROBS INFORMATION INDICATES INVITATIONS WERE SENT TO 91 ORGANIZATIONS IN EUROPE, 46 IN ASIA, AND 56 IN AFRICA AND THE MIDDLE EAST. THE WESTERN HEMISPHERE LIST INCLUDES 11 ORIT AFFILIATES, 10 INDEPENDENTS, 9 FROM CPUSTAL, 37 FROM CLAT, 23 IN A CATEGORY SIMPLY LABELED "CENTRALES NACIONALES DE AMERICA LATINA," 12 FROM THE U. S. AND 3 FROM CANADA. LISTED IN THE LAST TWO CATEGORIES ARE: USA: ALBERT J. FITZGERALD, PATRICK E. GORMAN, DAVID LIVINGSTON, HARRY BRIDGES, LEONARD WOODCOCK, PRES. AMALG. CLOTHING WORK. UNION, A. F. GRAOSPIRON, A. W. ABEL, PETER BOMARITO, FLOYD E. SMITH, PAUL JENNINGS, GEORGE MEANY; CANADA: C. S. JACKSON, DONALD MCDONALD, MARCEL PEPIN.

3. LETTER OF INVITATION OUTLINES THE ANNOUNCED OBJECTIVES OF THE CONFERENCE, "TO EXPRESS THE SOLIDARITY OF THE INTERNATIONAL LABOR MOVEMENT TO WORKERS AND TO THE CHILEAN PUBLIC IN THE CONFRONTATION (ENFRENTAMIENTO) WITH THE NORTH-AMERICAN MULTINATIONAL CORPORATIONS" (EMPHASIS ADDED). INTERNATIONAL LABOR ORGANIZATIONS (CENTRALES SINDICALES INTERNACIONALES), INTERNATIONAL PROFESSIONAL ORGANIZATIONS, AUTONOMOUS REGIONAL ORGANIZATIONS, REGIONAL ORGANISATIONS OF LATIN AMERICA, NATIONAL CONFEDERATIONS (CENTRALES NACIONALES), SPECIALIZED ORGANIZATIONS OF THE UN, AND VARIOUS INSTITUTES AND UNIVERSITIES HAVE BEEN INVITED. TRAVEL COSTS TO BE BORNE BY PARTICIPATING ORGANIZATIONS, BUT FOOD AND LODGING (GASTOS DE PERMANENCIA) TO BE PAID BY CUT CHILE. SIMULTANEOUS TRANSLATION IN SPANISH, ENGLISH, FRENCH, RUSSIAN AND POSSIBLY CHINESE BEING PROVIDED.

4. DURING WEEK OF MARCH 12 WE WERE TOLD THAT CUT HAD RECEIVED ACCEPTANCES FROM ONLY 26 ORGANIZATIONS OUT OF A TOTAL 301 INVITATIONS. BY MARCH 24 SAME SOURCES INDICATED THAT 360 DELEGATES FROM 140 ORGANIZATIONS HAD COMMITTED THEMSELVES TO PARTICIPATE. WE ARE TOLD THAT THE ONLY PROMISED PARTICIPANT FROM U. S. UNIONS WILL COME FROM THE UAW, AND THAT THE ILWU (BRIDGES) HAS NOT AS YET CONFIRMED PARTICIPATION. ONE UNNAMED DELEGATE FROM CANADA IS CONFIRMED.

5. PDC LABOR LEADERS ARE TO DATE PARTICIPATING IN ORGANIZATION OF CONFERENCE, BUT WITH INCREASING RESERVATIONS. SEVERAL CLAIM TO HAVE KNOWLEDGE THAT EITHER PC UNION HEAD JORGE GODOY OR PS MANUEL DINAMARCA WILL AT SOME POINT EARLY IN CONFERENCE
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PAGE 03 SANTIA 01379 031920 Z

ISSUE STRONG ATTACK ON PDC AND EDUARDO FREI. PARTY LABOR LEADERS OF PDC DEPARTAMENTO SINDICAL MET LAST WEEK AND UNANIMOUSLY APPROVED A WALK- OUT IF THIS OCCURS. MOST LEADERS WITH WHOM WE HAVE CONTACT PREDICT THAT THE CHILEAN MARXIST ATTACK WILL BE RESERVED EXCLUSIVELY FOR THE U. S.

6. ALTHOUGH PRESS COVERAGE FOR UPCOMING CONFERENCE HAS BEEN SURPRISINGLY LIGHT TO DATE, IT IS EXPECTED TO PICK UP AS WEEK PROGRESSES. THERE HAVE BEEN SPOTTY REPORTS OF WFTU PARTICIPATION IN ORGANIZATION OF AFFAIR. WFTU PRES ENRIQUE PASTORINO HAS MADE THREE VISITS TO SANTIAGO IN PAST TWO MONTHS AND MARXIST PRESS HAS RUN SEVERAL ARTICLES ON TEAM OF WFTU " TECHNICIANS" HERE TO HELP ORGANIZE MEETING. SEVERAL ARTICLES HAVE INDICATED WFTU SPONSORSHIP (AUSPICIADO) OF AFFAIR. THERE HAVE BEEN PRESS STORIES THAT GOC IS PAYING BILLS FOR THE CONFERENCE, ESTIMATES RANGE FROM 14 TO 38 MILLION ESCUDOS.

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PAGE 01 ROME 02612 02 OF 02 032248 Z

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UNCLAS SECTION 2 OF 2 ROME 02612

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5. / LABOR AND EMPLOYMENT/ - EMPLOYMENT CONTINUED TO FEEL THE EFFECTS OF A STAGNATING DOMESTIC ECONOMIC SITUATION, DECLINING BY 314,000 UNITS IN 1972. UNEMPLOYMENT RATE OF 3.2 PERCENT EXPERIENCED IN 1970 AND 1971 ROSE IN 1972 TO 3.7 0/0 OF WORKFORCE WITH LARGEST UNEMPLOYMENT INCREASE REGISTERED AMONG INDEPENDENT AGRICULTURAL WORKERS. DESPITE WEAK LABOR DEMAND, WAGE CONTRACT SETTLEMENTS IN 1972 CONTINUED TO PUSH UP LABOR COSTS. SHARE OF NATIONAL INCOME ACCRUING TO WORKERS INCREASED TO 62.9 PERCENT COMPARED WITH 62.4 0/0 IN 1971
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PAGE 02 ROME 02612 02 OF 02 032248 Z

AND 59.3 0/0 IN 1970.

6. / PROSPECTS FOR 1973/ - WITH DATA RELATING TO THE PERFORMANCE OF ECONOMY IN 1972 NOW ON RECORD, GOI INCREASINGLY TURNING ATTENTION TO ECONOMIC ACTION PLAN FOR 1973 AS REFLECTED IN ANNUAL PLAN RECENTLY APPROVED BY CIPE (INTERMINISTERIAL COMMITTEE ON ECONOMIC PLANNING). ON BASIS OF SCANTY DATA AVAILABLE, 1973 PLLEM OF " STAGFLATION". TOTAL GROSS DOMESTIC INVESTMENTS IN REAL TERMS INCREASED BY 2 0/0 IN 1972 AND REPRESENT TURNAROUND FROM 1971 DECLINES OF 9 0/0, BUT MOST OF INCREASE WAS DUE TO INCREASE IN INVENTORIES. NEVERTHELESS, SOCIAL INVESTMENTS IN REAL TERMS DID INCREASED BY 1.5 0/0 COMPARED WITH 7.1 0/0 DECLINE IN 1971. UNEMPLOYMENT RATE DURING 1972 ROSE TO 3.7 0/0 OF LABOR FORCE (3.2 0/0 IN 1970 AND 1971), BUT SHARE OF NATIONAL INCOME ACCRUING TO WORKERS ROSE TO 62.9 0/0 (62.4 0/0 IN 1971) LARGELY AS RESULT OF WAGE CONTRACT SETTLEMENTS. ITALY' S BALANCE ON GOODS AND SERVICES IN CURRENT LIRE WAS IN SURPLUS BY 584 BILLION (\$1,005 MILLION AT 581 LIRE - \$1.00). THE GOODS AND SERVICES SURPLUS IN REAL TERMS WAS 810 BILLION LIRE.

3. / SOURCES OF INCOME/ - ON SUPPLY SIDE MOST SECTORS OF ECONOMY, WITH EXCEPTION OF AGRICULTURE, EXPERIENCED MODEST EXPANSIONARY

TENDENCIES COMPARED WITH MORE GENERAL RECESSIONARY TENDENCIES EXPERIENCED IN 1971. GROSS DOMESTIC PRODUCT AT FACTOR COSTS INCREASED BY 3.2 0/0 IN REAL TERMS WITH TOTAL PRIVATE SECTOR INCREASING BY 3.3 0/0, INDUSTRIAL ACTIVITIES BY 3.9 0/0 AND TERTIARY (SERVICE) ACTIVITIES BY 5.1 0/0. OUTPUT OF AGRICULTURE AND RELATED SECTORS SHOWED DECLINE OF 4.9 0/0 MAINLY AS RESULT OF ADVERSE WEATHER CONDITIONS EXPERIENCED DURING 1972.

4. / USES OF INCOME/ - ON DEMAND SIDE GROSS DOMESTIC INVESTMENTS INCREASED BY 2 PERCENT TO 9,031 BILLION LIRE REVERSING SIZEABLE DECLINE REGISTERED IN 1971 OF 9 0/0 IN REAL TERMS. HOWEVER IN 1972 GROSS DOMESTIC INVESTMENTS AS PERCENTAGE OF GNP DECLINED TO 19.3 0/0 COMPARED WITH 19.5 0/0 IN 1971. WEAKNESS IN INVESTMENT DEMAND REFLECTS CONTINUED CONCERN OF ENTREPRENEURS ABOUT FUTURE TRENDS OF ECONOMY. ALSO ON DEMAND SIDE SOCIAL INVESTMENTS INCREASED BY 1.5 0/0 IN REAL TERMS TO 3.714 BILLION LIRE COMPARED WITH SIZEABLE DECLINE OF 7.1 0/0 REGISTERED IN 1971. THUS GOVERNMENT SUCCEEDED IN GIVING SLIGHT STIMULUS TO SUCH INVESTMENTS
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PAGE 03 ROME 02612 01 OF 02 032251 Z

DURING 1972. GOVERNMENT SECTOR CONSUMPTION ALSO INCREASED BY 4.2 0/0 TO 5,676 BILLION LIRE (5,449 BILLION LIRE IN 1971), WHILE REAL PRIVATE CONSUMPTION ROSE BY 3.8 0/0 TO 31,097 BILLION LIRE (29,962 BILLION LIRE IN 1971). MEASURED ON NATIONAL ACCOUNTS BASIS, EXPORTS OF GOODS AND SERVICES ROSE BY 11.2 0/0 IN REAL TERMS TO 12,690 BILLION LIRE (11,416 BILLION IN 1971) WITH RATE OF INCREASE ALMOST TWICE THAT OF 1971. IMPORTS OF GOODS AND SERVICES REGISTERED EVEN LARGER GAINS OF 13.2 0/0 IN REAL TERMS 11880 RISING TO BILLION LIRE COMPARED WITH THE 1971 RISE OF 1.7 0/0 TO 10,491 BILLION LIRE. ITALY'S COMPETITIVE POSITION IN 1972 WAS NOT ADVERSELY AFFECTED BY DOMESTIC RATE OF INFLATION OF 6.1 0/0 (7.1 0/0 IN 1971) THANKS IN PART TO OFFSETTING INTERNATIONAL INFLATIONARY TRENDS. VOLPE

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